FIRST MEMBER'S NOTE ON THE FINANCIAL FORECAST FOR THE TRIENNIAL ~~PERIOD~~ BEGINNING WITH 1920-21.

.....

Dated 6th December 1920.

.....

The above is a fair representation of the discussions at the last Council meeting. The inevitable deficit is large enough and it has to be considered what steps are now necessary to bring about in a few years the requisite equilibrium in our finances. It must be confessed that unless some definite policy is laid down, both as regards Revenue and expenditure, the deficit is likely to increase and the position will become in another five years more serious than can be imagined. The Exchange condition will not affect us much in future as arrangements have partly been made already to get our sterling revenue in India and I propose to enforce the payment of sandal oil revenue also in rupees in India. The probabilities in other respects are that under some heads, the cautious estimate of revenue will be considerably exceeded but as against this, it is also very likely that expenditure in some departments also will not be restricted to the limit shown in the above note.

If the deficit according to forecast made is to be roughly 14, 29 and 35 lakhs, the total is 78 lakhs in three years. I should make bold to say therefore, that we must, taking all contingencies into consideration, face a deficit of about 90 lakhs. This can easily be wiped out in three or four years, when the revenues under Re-productive Works begin to pay handsomely as we hope they will. But mere hoping will not do at present - some definite policy must be followed firstly, to see that revenues as estimated do not dwindle; secondly, to so arrange the programme of development that new items of revenue come in not later than expected and in their proper measure. Any disappointment under either head will cause

serious embarrassment. Thirdly, there must be a strict control over all additional expenditure which can be sanctioned only on the most urgent reasons of policy, and which, in my opinion, should not exceed the limit put by the Council on Thursday last. Besides, every endeavour has to be made to enforce economy in all departments and reduce expenditure below sanctioned grants wherever possible.

Retrenchments are not easy and unless some definite principle is followed, it will all end in only idle talk.

Additional sources of Revenue are not easy to find and existing resources cannot be improved without sudden and unpopular measures of taxation. Still, I think it possible to find additional money under certain heads - over and above the very sanguine revenue estimates, that are given in the present triennial estimates.

The above are general suggestions which I will amplify with a few details -

I. Estimated standard of revenues should be kept up to the mark. Revenue producing Departments must watch the level and take timely measures to check deterioration which may be due to any laxity in administration. Take for example, Land Revenue. Bad collection work, delay in darkhasts and land assignments, opening up large tracts, e.g., Kate Reserves, and Inamdar Kabal Kavals, neglect to restore tanks necessitating remissions, neglect in developing irrigation revenue - all may contribute to reduce the growth provided for in the forecast. Similarly, the Forest Department.

The Revenue from timber removed by Government and private agency requires a steady growth in connection with the Iron Scheme. If no effort is made, there will be deterioration.

Stamp Revenue has to be safeguarded by proper measures.

Similarly, Iron Scheme has to be watched, ~~Judicial~~ Jail Deptt: Industries Department, Sandal Oil Factories, Electric Dept.

Railways all have to be carefully watched month by month and the level of growth kept up by special effort.

II. New schemes relating to productive works must give return as soon as possible - Irregation, Iron Scheme, 6th Electric installation, Railways &c. These must be so administered that delays are avoided, unnecessary inflation of capital expenditure restricted and all neglect of administration which may reduce the earnings -or ~~dearly~~ delay the returns guarded against.

III. Strict control over all new items of expenditure as allowed in the Councils forecast. The advance of expenditure must in all ~~strictness~~ strictness be limited to the scale now provided for and under no circumstances should any further advance be allowed. For this the Member in charge and the Financial Secretary should be made responsible.

IV. To enforce economy in all departments and reduce expenditure below sanctioned grants. I sincerely believe that this is ~~im~~ possible as there is much extravagance in many departments and much waste. Take the department of Stationery and also contingent charges alone. Take also expenditure under Dasara and Birthday , entertainment of State Guests. I think having regard to our financial position, we should ~~curtail~~ curtail under these heads. It is ~~no~~ no use showing off as prosperous and entertaining lavishly when we want every penny that we can save - to reduce our minus debit in running the ordinary administration. These are the possibilities of savings in other directions also and unless Government from the top take the lead, it is not easy to get results in the Districts. All unnecessary establishments, special departments and temporary hands may be dispensed with. I think it is also possible to retrench besides enforcing economy.

V. <u>RETRENCHMENTS</u>. The Finance Committee proposals after all, if approved, will not give more than Rs.1,50,000. My sincere conviction is that we can reduce our budget expenditure on the total by about 6 lakhs without seriously impairing

efficiency. I venture to embody my views in a separate confidential note put in a confidential cover.

VI. ADDITIONAL REVENUE. We should find additional Revenue by raising rates and taxes, e.g., water tax, etc., which will reduce State debits and grants to local bodies for all such advantages. They, specially Mysore and Bangalore, have been spoon-fed too long at the expense of the general tax-payer specially under water-tax.

We can get another 2 to 3 lakhs by raising rates of power for consumption in Bangalore and Mysore. We should raise the Land Revenue demand by at least 5 lakhs in three years, say., by special effort in re-settling. Re-settled rates must be at least 15 to 20 per cent and necessary instructions should be given to the Settlement officers confidentially. Stamps, Forests Jails, Industries, Sandal oil factories, Irrigation and Railways should give in addition in increase in Land Revenue, about 10 lakhs over the estimated forecast. I consider this within the range of possibility but requiring special exertion.

I have indicated roughly a financial policy in the above suggestions and I entertain the hope that if it is rapidly carried out, our financial equilibrium will be restored in not less than 5 years and we shall thenceforward have annual surpluses to wipe out easily the 90 lakhs of deficit that we have according to present estimate, to face during the next three years; but which, if the policy enunciated above is carried out, will in actuals be reduced by 50 per cent. After all, a difference of half a crore in three years is nothing to be afraid of when we have to deal with a total ~~xxxxxx~~ revenue of nearly 3½ crores which must, as past experience has shown, expand and not remain stationary. Even if the surpluses are not more than 10 lakhs a year and I believe they will be near 20 when the balance is restored, the net deficit can be easily met by 2 or 3 years' savings. With retrenchment in point of revenue position and economy under existing sanctioned charges, I think

the net deficit will practically be reduced to a negligible amount.

I have not in the above, touched on our ~~Cadvery~~ Capital Programme and I think we should after completing all works now in progress try and get the utmost revenue from them and get a breathing time ~~before~~ before starting new ventures.

I venture to suggest that the statement of our finances as now made out in Council may be confidentially sent to the Resident with a strong plea for urgent orders relating to the Subsidy and the C[illegible] Station surplus.